

THE CHANCERY COURT FOR LEWIS COUNTY
AT HOHENWALD, TENNESSEE

IN RE:

SENTINEL TRUST COMPANY

NO. 4781

FILED

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JANET WILLIAMS, CLERK & MASTER
BY: Selena Wix D.C.

MOTION FOR APPROVAL OF FINAL DISTRIBUTION TO BONDHOLDERS ON LEE
COUNTY, ALABAMA BOND ISSUE AND THE CLOSING OF MATTERS RELATING
TO THAT ISSUE SAVE THROUGH THE PROOF OF CLAIM PROCESS

I. INTRODUCTION

Sentinel Trust Company, in Liquidation, moves the Court to approve the final distribution to bondholders of the Lee County, Alabama Industrial Development Authority Revenue Bond (George Washington Carver Food Products Facility) Series 1997 Bond Issue ("Lee County Bond Issue")

II. FACTUAL BACKGROUND

The Lee County Bond Issue fell into default in 2001 and a state court receivership in the Lee County, Alabama Circuit Court was established. Sentinel Trust Company, as indenture trustee under the bond issue documents, coordinated matters with the receiver which the Lee County Circuit Court appointed. The sale of the facility, which stood as collateral behind the bonds, occurred in 2002, and the proceeds were held by the Lee County Circuit Court receiver.

A proof of claim procedure in the Alabama state court receivership was conducted and ultimately ended in several claims being addressed through settlements both before and after

Sentinel Trust was placed into receivership before this Court.¹ Due to the Alabama state court receivership proof of claim procedure, the Sentinel Trust Receiver reasonably believes that there are no other creditors or claimants on the Lee County Bond Issue other than the bondholders themselves. In August 2004, the Lee County, Alabama Circuit Court entered an Order Approving Final Accounting, Discharging Receiver, Determining Interest in Proceeds and Dismissing Case which had the result of transferring all remaining funds (i.e., \$858,178.24) to the Receiver of Sentinel Trust on September 13, 2004.

III. DEDUCTION OF FEES AND EXPENSES

The Lee County Bond Issue documents provide that, in a default context, fees and expenses attendant to the default and the preservation and realization upon collateral were to be deducted from the proceeds of the collateral, with the remainder to then be distributed to the bondholders. As has been referred to numerous times in this receivership, Sentinel Trust, pre-May 18, 2004, transferred large amounts of money from a pooled fiduciary account to pay for the fees and expenses that were incurred in the Lee County Bond Issue default. It appears from the Receiver's investigation that, from January 2002 (when the Lee County Bond Issue reflected a "negative" or "overdrawn" position in the pooled fiduciary account) until May 2004, an amount of \$357,024.40 was transferred out of the pooled fiduciary account for matters relating to the Lee County Bond Issue default. Attached as Exhibit A hereto are the summary and breakdown of that amount. The Receiver, since receiving the \$858,178.24 referenced above, has transferred \$357,024.40 back into the pooled fiduciary account where it still remains.

¹ This Court, through Order entered on August 9, 2004, approved those settlements in amount and stated no objection to the payment of those settled claims from the proceeds of the sale of the collateral which the Alabama state court receiver was holding.

Pre- May 18, 2004, fiduciary fees and related default administration fees are shown as being owed to Sentinel Trust Company regarding the Lee County Bond Issue default. Based on records available to the Receiver and its investigation, there are \$222,272.68 and \$13,549.37 of pre- May 18, 2004 fiduciary fees, interest and default administration charges owed to Sentinel Trust arising from the Lee County Bond Issue default. See Exhibit A. These fees and expenses were the charges allowed under the bond issue documents and were owed to Sentinel Trust. Based upon the previous rulings from the Court, the Receiver has transferred, since the receipt of the \$858,178.24, the \$222,272.68 and \$13,549.37 amounts to Sentinel Trust receivership operating accounts. These monies have been used and will be used to fund the operations of the Sentinel Trust receivership including the Receiver's efforts to increase the funds/assets of the receivership estate.² Moreover, if there are excess amounts in the Sentinel Trust Receivership operating accounts at the time of determining final distribution to the remaining claimants and creditors, those funds will be used to increase the pro rata distributions to those claimants and creditors.³

Records available to the Sentinel Trust Receiver indicate that there were fees for attorney-provided services on the Lee County Bond Issue default pre- May 18, 2004 which were unpaid as of the institution of the Sentinel Trust Receivership and which are still unpaid. The total unadjusted amounts of these attorneys' fees are \$23,582.21 (Waller Lansden) and \$3,713.00

² The monies realized as fees and expenses from the Lee County Bond Issue are only part of the monies which have provided, and will continue to provide, funds to operate the Sentinel Receivership. Fiduciary fees and other charges are being deducted from other default bonds and have been, and will be, realized when collateral from those other default bond issues are realized. Moreover, the Sentinel Receivership operations are being funded, in part, by the normal charges paid by the bond issuers or financiers on the bond issues that have continued paying since the May 18, 2004 institution of the receivership.

³ The "then remaining claimants and creditors" are expected to be the claimants and creditors who/which have claims as against the shortfall in the pooled fiduciary account.

(Bradley Arant -- local Alabama counsel). The Receiver has determined that the fees and expenses owed to Waller Lansden and Bradley Arant, respectively, are reasonable and appear to have been necessary for Sentinel to perform its duties as the indenture trustee for the Lee County Bond Issue. Nevertheless, as an accommodation to the circumstances confronting the Sentinel Trust Receivership, the law firms, to which these fees for services are duly owed, have agreed to reduce the amount by fifty percent (50%), the total thereafter being \$11,791.41 for Waller Lansden and \$1,856.50 from Bradley Arant. See Exhibit A. The Receiver recommends that this reduction be accepted and that the Court approve the reduced amounts to be paid from the \$858,178.24 amount.

The final component of fees and expenses relating to the Lee County Bond Issue default are the post- May 18, 2004 fiduciary fees, counsel fees and receivership expenses/administrative expenses. The charging of post- May 18, 2004 fiduciary, default administration and related fees and charges is based on fees and charges set by the Lee County Bond Issue documents and fee schedules, which are the same fees and expenses charged pre- May 18, 2004. These fees total \$71,259.25 (see Exhibit A) and have been taken from the \$858,178.24 earlier received by the Receiver. To the extent that payment of post- May 18, 2004 fiduciary fees, default administrative and related charges (which, along with funds from other sources, go to fund the operations of the Sentinel Trust Receivership -- see footnote 2) result in an excess of funds at the time of determination of final distribution to then remaining claimants and creditors, those funds will be used to increase the pro rata distribution to those claimants and creditors.

Based upon the expected need for payment of residual expenses incurred in the distribution of monies to the Lee County Bond Issue bondholders, the small amount of \$3,124.63 is shown as being held back from distribution to these bondholders. See Exhibit A.

IV. DISTRIBUTION TO BONDHOLDERS

As shown in **Exhibit A**, the amount that remains yields a distribution to the Lee County Bond Issue bondholders of 3¢/\$1.00.

V. ARGUMENT IN FAVOR OF DISTRIBUTION TO BONDHOLDERS AND PAYMENT OF FEES AND EXPENSES AS SET FORTH HEREIN

Three cents on the dollar is not good. But, unfortunately, that poor yield appears to be more the result of investing in a venture that never got off the ground concerning financing of a peanut butter factory in rural Alabama and the lack of any significant interest in the facility (i.e., the collateral) post default, as opposed to the poor yield being the result of the amounts which are shown as being deducted from the \$858,178.24. The \$357,024.40 amount, which reflects monies taken from the pooled fiduciary account should be placed back into that account to help address the shortfall in that account. The amounts of fiduciary fees, default administration fees and other attendant charges are based upon the fees and expenses allowed by the bond issue documents and published fee/charge schedules. As mentioned earlier, these fees and expenses (along with funds from many other sources) are funding the operations of Sentinel Trust Receivership including the efforts to further recover funds and to grow the assets of the receivership estate. Any excess monies at the end of the receivership will be distributed to the then remaining creditors and claimants. Accordingly, the Receiver urges the Court to approve the distribution of the \$858,178.24 received in relation to the Lee County Bond Issue as set forth in **Exhibit A** hereto.

VI. REQUEST FOR COURT TO ORDER THAT PAYMENT OF PROPOSED DISTRIBUTION TO BONDHOLDERS EXTINGUISHES ALL CLAIMS AS AGAINST SENTINEL TRUST SAVE THROUGH THE PROOF OF CLAIM PROCESS

The Receiver requests that, as part of the Court's Order approving the Lee County Bond Issue distribution, the Court provide that the bondholders' recourse regarding matters relating to

the Lee County Bond Issue be limited to presenting a proof of claim in the proof of claim process soon to be submitted, by the Receiver, to this Court for review and approval. As has earlier been stated to the Court in different contexts, it is extremely important that multiple actions by varying groups of bondholders, racing to the courthouse to gain advantage as to one another, not be allowed. Similarly, it is very important the proof of claim process be the venue for uniform treatment of claimants under this Court's supervision and that the Receiver's pursuit of third-party claims on behalf of all claimants be allowed unimpeded. For these reasons, it is requested that the Court's Order include a provision requiring any Lee County Bond Issue bondholder to pursue claims relating to that bond issue in the Sentinel Trust Receivership through the proof of claim procedure.

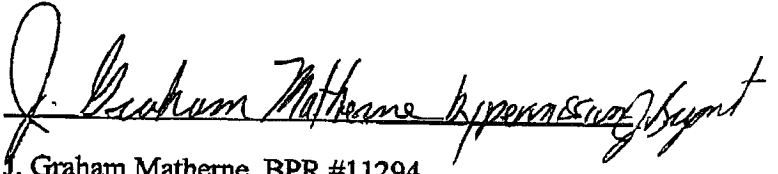
VII. NOTICE TO BONDHOLDERS

Notice of this Motion was provided to all of the Lee County Bond Issue bondholders known to the Sentinel Trust Receiver. That Notice, a copy of which is attached as **Exhibit B**, was mailed on Friday, December 3, 2004, to each known bondholder at his/her/its address as reflected in the Sentinel Trust records. That Notice informs the bondholders of much of the contents of this Motion, informs them of when and where the hearing of this Motion is to occur, directs them to the Department of Financial Institutions website to review the full text of this Motion (including exhibits) and provides them with telephone numbers to call with questions.

VIII. CONCLUSION

For the stated reasons, the Sentinel Trust Receiver requests that an Order of Court issue as requested herein.

Respectfully submitted,


J. Graham Matherne, BPR #11294

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*Counsel for Jeanne Barnes Bryant and
Receivership Management, Inc., Receiver
of Sentinel Trust Company, in Liquidation*

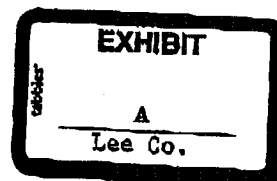
Sentinel Trust Company
The Lee County Industrial Development Authority
Lee County, Alabama
\$6,200,000
Revenue Bonds, Series 1997
(George Washington Carver Food Products Facility)
Default Issue

Final Accounting for Final Distribution to Lee County, Alabama
Bondholders

Account Summary for Lee County, Alabama
For the Period January 30, 2002 through May 10, 2004
EXHIBIT A

Summary

Total Money Received (9/13/04 from Sale of Collateral)	858,178.24
Total Pre May 18, 2004 Payable Due Fiduciary Account	(357,024.40)
Pre May 18, 2004 Payable Due Sentinel Trust Company	(222,272.68)
April, 2004 Fiduciary Fees Unpaid	(13,549.37)
Total Pre May 18, 2004 Attorney Fees Unpaid	(13,647.91)
Total Post May 18, 2004 Expenses Due	<u>(71,259.25)</u>
Net Total Available to Bondholders	180,424.63
Total Amount Payable to Bondholders	<u>(177,300.00)</u>
(Payout of \$5,910,000 X \$0.03)	
Residual Balance for Final Expenses	<u>3,124.63</u>



Sentinel Trust Company
The Lee County Industrial Development Authority
Lee County, Alabama
\$6,200,000
Revenue Bonds, Series 1997
(George Washington Carver Food Products Facility)
Default Issue

Account Summary for Lee County, Alabama For Period January 30, 2002 through May 10, 2004		
Beginning Balance		
Interest Income		427.09
Contributed Capital		(7,507.98)
Accounting Expense		226.25
Bank Charges		(180.00)
Insurance		(2,007.26)
Legal Expense		(17,172.00)
Notices and Publication		(223,141.13)
Other Professional Fees		(1,400.00)
Operating Expense		(77,866.18)
Filing and Recording		(252.00)
Fiduciary & Default Admin. Fees		(211.58)
Payable Due Fiduciary Account		(27,939.61)
		(357,024.40)
Fiduciary Fees		
Interest Expense		(54,250.00)
Default Admin. Fees		(94,812.27)
Fees Paid		(101,150.02)
Payable Due Sentinel Trust Company		27,939.61
		(222,272.68)
Account Balance May 10, 2004		
		(579,297.08)
Default Admin. Invoices #OA140 April 30, 2004		
Overdraft Charge Invoice #OD1015 April 30, 2004		(5,062.50)
April, 2004 Fiduciary Fees Unpaid to Sentinel Trust Company		(8,488.87)
		(13,549.37)
Waller, Laneden, Dortch, and Davis Pre May 18, 2004 Unpaid Fees (\$23,582.61 @ 50%)		(11,791.41)
Bradley Arant Pre May 18, 2004 Unpaid Fees (\$3,713 @ 50%)		(1,856.50)
Total Pre May 18, 2004 Attorney Fees Unpaid		(13,647.91)
Assessment of Fiduciary Fees for LEE COUNTY, ALABAMA Post May 18, 2004		
Fiduciary Fee due November 1, 2004		
Fiduciary Fee due for December, 2004		(7,750.00)
Default Administration Fee through November 30, 2004		(1,291.63)
Termination Fee based on Original Issue Amount:		(1,400.00)
Interest Assessment Charged to Overdrawn Accounts		(15,500.00)
Bradley Arant Billing		(36,042.49)
Other Fee Assessment (Wyatt, Tamant, and Combs)		(7,302.36)
Total Expenses Post May 18, 2004		(1,972.78)
		(71,259.25)

Notice to Bondholders Regarding Final Distribution

\$6,200,000 The Lee County, Alabama Industrial Development Authority Revenue Bonds (George Washington Carver Food Products Facility) (the "Facility") Series 1997 (the "Bonds"). Reportedly CUSIP #523434AA6, AB4, AC2, AD0, AE8, AF5, AG3, AH1, AJ7, AK4, AL2, AM0, AN8, AQ1, AR9 and AS7.

Sentinel Trust Company (the "Trustee") serves as indenture trustee under that certain Mortgage and Trust Indenture dated as of May 1, 1997 between the Trustee and Lee County (Alabama) Industrial Development Authority (the "Issuer"). The current outstanding principal amount of the Bonds is \$5,910,000.

Pursuant to Order of the Lee County, Alabama Circuit Court issued after a September 20, 2004 hearing, the receiver appointed by the Lee County Circuit Court, in conjunction with the Trustee, sold the Facility, which serves as collateral for the loan financed by the Bonds. The Receiver for Sentinel Trust Company has filed with the Chancery Court in Lewis County, Tennessee a Motion requesting approval to make a final distribution to bondholders. The estimated distribution will be approximately \$30.00 per \$1,000 principal amount of Bonds. The final distribution represents the amount available for bondholders after deducting all fees incurred by the Receiver since May 18, 2004, and after deducting all fees and costs incurred by Sentinel. Fees and expenses normally include such items as expenses incurred in connection with the collateral sale, default administration, legal and professional fees. Please refer, on or after December 6, 2004, to the website for the Tennessee Department of Financial Institutions at www.state.tn.us/financialinst/ to view the Motion and Exhibit concerning these fees and expenses. The Motion for Approval for payment to bondholders will be heard by Chancellor Davies in Lewis County Chancery Court in Hohenwald, Tennessee on Wednesday, December 15, 2004, at 9:00 A.M. CST.

Bondholders with questions about this notice may direct them to the Receiver for Sentinel Trust Company, Jeanne Barnes Bryant at 931-796-7961.

Dated: December 3, 2004

Sentinel Trust Company, as Trustee

45273959.2

